

FARMERS PERCEPTIONS AND PREFERENCES IN CIAMIS AND BANTUL ON ISLAMIC MICROFINANCE INSTITUTIONS (BMT)

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ABSTRACT

This research is done due to the fate of Indonesian people who, in majority, work as farmers. This community has not yet shown an increase in having more prosperous standard of living. This is assumed to be due to the insufficient capital, difficulty of access to financing, inability to provide collateral, and the limited number of the bank reach. This study attempts to reveal the role of Islamic micro-finance institutions or BMT for providing opportunities for the farmers. Yet, this rural community is unfamiliar with this institution. Therefore, it is important to see their perceptions, preferences, and acceptance for adopting such financial institution. It employs the theory of perception, preferences, and level of adoption/acceptance of new things. The data were collected by means of questionnaires and interview. The study was conducted in Ciamis and Bantul Regencies from August to December 2009. It indicates the farmers' perception level in Ciamis Regency high (91%), high-level preferences (97%), thus they can adopt Syariah microfinance institutions with a high level of acceptance (92%). In general, it can be concluded that there is no difference in perceptions, preferences, and the adoption of this bank by the communities in the two regencies.

Key Words: LKMS / BMT, Perceptions, Preferences, and Adoption

INTRODUCTION

There has been such a paradox causing a serious problem so that the development of agricultural sector is found to be crucial. First, it is due to farmers' limited capital/funds. They found difficulty in access to financing: they have no ability to provide the collateral, limited reach to the bank. Second, they are low quality human resources, with low level of education. This condition makes them suffer from a non-optimal agricultural management, low of competitiveness, and lack of tool and technologies mastery. Third, negative perception that agricultural sector are high-risk, dependence on the season and availability of waters, fluctuating guarantee price, and so on. Finally, the farmers at the countryside have a moral perception which does not allow them to take a high-risk.

It is required that they be provided with a financial service to solve their problem.

Islamic financial institution is assumed a good solution. There are still banks thinking that such community incurs high-risk business. Islamic financial banks are supposed to be familiar with the public because their existence is suitable for them. Islamic banks are based on the business results such as *macro* system in food crops, *gaduhan* system in poultry, and the system results in fisheries. Islamic finance is required to provide them with the financing opportunities in this agricultural sector. Such banks are assumed to grow potentially because it is supported by the government's attention to trigger the "Small and Micro Business Sector and Medium Enterprises" (SMEs). Public awareness about doing sharia transaction has increased and it can give the society a high confidence in such economic systems.

Again, it is also required that such community understands the Islamic microfi-

nance institutions. The people in rural areas are still difficult to get access to the banks. Thus, alternative financial institution is needed. The role of microfinance institutions for such community is demanded.

For the Banking sector, credit problems are as a matter of prudential problems (cautions) to the community, especially the farmers. The credit for the farmers is considered to have a high-risk business because the income obtained is not clear, just depending on the nature. The problem is how the banks can communicate and build trustworthiness with them for building the trust on such banks. Jahi (1988) states that communication deals with the way the role of mass media so as to provide information to audiences and motivate them to adopt innovation in the agricultural sector, health sector, and family planning sector, send their children to higher schools, and to be better informed about national and international news. To induce the participatory development, participants should be allowed to express their needs and have the opportunity to get the information they need through the channels of communications. Therefore, Islamic financial institutions must provide the educational information to the farmers through the channels of communications which are available to use, such as interpersonal communications, group discussion, or *majelis ta'lim* study groups, newspaper, magazines, radio, television, or the internet.

Agribusiness Sharia Microfinance Institutions is now managed by the Department of Agriculture. The Farmers Group strengthening their capital is assisted by the help from Japanese Government through CF-SKR program, managed by the directorate of agricultural finance in the agriculture department by using sharia system. This financing system is called Islamic Agribusiness Microfinance. The successful pilot works in managing this Islamic microfinance are BMT Mekar Mangun Jaya Farmers Group in District of Banjar Sari, BMT *Miftahusslam*an Cijeungjing Farmers Group in District of Ciamis, West Java and a Farm-

ers Group with BMT Barokah and BMT Talang Emas in Yogyakarta Special Region. Such funding is conducted in sharia system to improve the welfare of the community, especially the farmers. This improving Islamic funding system is predicted to improve the economy in the region (Ministry of Agriculture, 2007).

As argued above, it can be judged that three problems should be raised in this research: First, it deals with the problem of financing or credit distribution; second, it deals with the awakening trust between farmers and financial institutions; and third, the communication problem between farmers and financial institutions. It is believed that the phenomenon which occurs between farmers and Islamic financial institutions is as a social fact. The farmers see that banking is a difficult institution to be approached. Thus, this bank is then expected to open their access for the rural community. On the other hand, Islamic financial institutions assume that the business done with the farmers is considered high risk business. Yet, so far there has no effort that is done concerning the risk taking business. This study tries to analyze the degree of perception that affects the preferences and adoption of Islamic microfinance institutions as well as what factor are assumed to affect the farmers in Ciamis and Bantul regencies.

THEORETICAL FRAMEWORK AND HYPOTHESIS

This study uses the theory of perceptions, preferences, and level of adoption/acceptance of new things. Islamic banking products are divided into 5 based on the basic principles of sharia banking, such as: (1) the principle of deposit or savings (depository/*al-wadiah*); (2) Profit sharing; (2) Sale and Purchase; (3) Rent (operational lease and financial lease); (4) Services (Fee-based). (Antonio, 2001)

Conceptually, BMT has two functions (Sholahuddin, 2008), such as: (1) *Baitul Tamwil* (*bait* = house, *at-Tamwil* = property development) doing activities such as pro-

ductive business development activities and investment in improving the economic quality of micro and small entrepreneurs by encouraging them to save and support their financing economic activities. (2) *Baitul Maal* (*bait* = house, *maal* = fund) receives *zakat* funds deposit, *infaq* and *shadaqah*, and optimize the distribution in accordance with the rules and *amanah*. *Baitul Maal wat Tamwil* (BMT) is a Shari'a microfinance institution which is a business enterprise of sharia representative of the *BPRS*, which stands in areas more specific such as rural areas. BMT is the *Baitul Maal want Tamwil*, a self-aid movement community in the economic field since the early presence focus is to serve the financial needs of Medium and Small Enterprise (SMEs).

According to Kartajaya (2005), perception is dealt with Perceived Quality, the customer's perception of the quality and superiority relative to competing products. Dimensions of product quality: performance, feature, conformance with specifications, reliability, durability, service-ability. Dimensions of service quality: tangibles, reliability, competence, responsiveness, and empathy.

The product quality dimension deals with the performance on how the design and appearance of products, features is shown, what advantages and disadvantages of the product, conformance with specifications that indicate what the specifications that the products have, reliability shows that the product is reliable and can be used. Durability means the product is durable. Service-ability directs that the product is capable of conforming the wishes and needs of the customer. Fit and finish shows that that the product is made to perfection.

The service quality dimension concerns the tangibility: the appearance of physical facilities, equipment, and personal and communication materials. Reliability: the ability to perform the promised service dependably and accurately. Assurance: knowledge and courtesy of employees and their ability to convey trust and confidence. Empathy: caring, individualized attention provided by the

firm to its customer (Schiffman & Kanuk, 2001)

Dimension of service quality is Schiffman & Kanuk match with Zeithamal, Parasutaman, and Berry (in Supranto, 2006) stating that there are five critical dimensions determining the level of service, such as: (1) Tangibles, include appearance and physical abilities, equipment, and personal. (2) Reliability shows the ability of produces to perform the promised service accurately and reliably. (3) Responsiveness to show willingness to help customers and provide a fast service and response. (4) Assurance includes knowledge and courtesy of the employees and their ability to create trust and assurance. (5) Empathy shows requirements to care and giving personal attention to customer.

According to Mulyana (2007), perception is affected by some factors such as (1) The Internal factors, such as: Biological factors (sex, age), psychological factors (motivation, expectation), social and cultural factors (religion, education level, occupation, income, social status, family norms, marital status ownership of media). (2) External factors, such as: movement (mobility), intensity (depth understanding of information), contrast (differences in cultures, religion, and diversity), novelty (openness to something new), and recurrence (frequency of information access and exposure it).

The perception, thus, can arise because there is educational information on Islamic microfinance institution through the channels of communication or the source of information. The sources of information can be through the mass media such as newspapers, magazines, radio, televisions, and the internet. According to Jahi (1988), mass media has a great ability to disseminate development messages with a high speed and simultaneously to the people who lives in different places.

The mass media has a potential role to (1) inform the public about the facts of their economic life, (2) interpret the facts so it can be understood by the community, (3) pro-

mote it to the people, to make them realize how serious development problems they face, and think it further to realize the solutions that may be taken. (Medical, 1980 in Jahi, 1988)

Communication channels, as described by Mulyana (2007) concerns such (1) Interpersonal Communication that is the communication between the people face to face, which allows each participant to catch the reaction of the other directly, either verbal or nonverbal. (2) Group Communication, is a group of people who have the same goal, interacting with one another to achieve the same goal, to know each other, and to be paid attention together as part of the group. (3) Organizational Communication is the communication that happens in an organization, formal and informal, take place in a large network than the group communication. (4) Mass Communication, is a communication that uses the mass media, both printed media (newspapers, magazines) or electronic media (televisions, radio), which managed by an institution or institutionalized, intended for a large numbers of people who spread over many place, anonymous and heterogeneous.

According to Holbrook as in Schiffman and Kanuk (2001:388) preferences regarding elements of the brand value of a financial institution includes as the following: (a) Joy or pleasure: to give an attractive material benefits; (b) Esthetics: good-looking both office building and interior; (c) Ethics: to have ethics and courtesy in serving; (d) Spiritual: meet the spiritual of religious values; (e) Convenience: convenient, easy and complete in meeting the needs; (f) Quality: have a professional both management and staff; (g) Status: giving pride for its customers; (h) Reputation: have a good reputation.

Another preference is due of *maslaha*. It is dealt with what customers get when in the form of buying goods or services. *Maslaha* as described by P3EI UII Yogyakarta (2008), can be shaped as (1) Material benefits, such as, to be the additional property

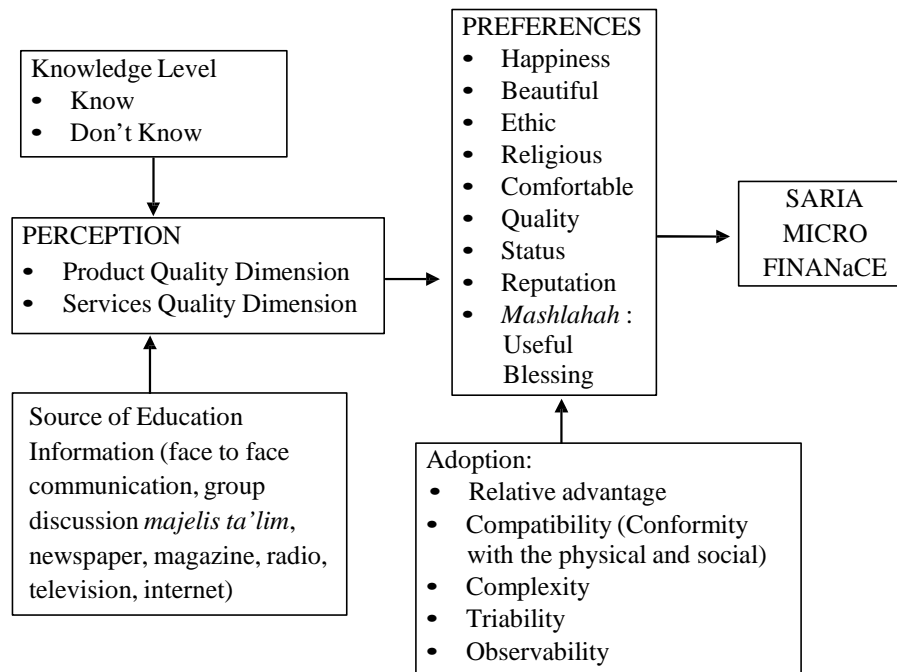
obtained by the consumers due to the purchase of goods/services. For example, low price, discount, low cost and searching, etc. (2) Physical and Psychological benefits, the fulfillment of human physical or psychological, such as hunger, thirst, cold, health, safety, comfort, dignity, etc. (3) Intellectual benefits, the fulfillments of the human mind when he bought goods/services, such as the need of information, knowledge, skill, etc. (4) Social Environments benefits, in the forms of positive externalities or the benefits that can be felt also by the others. (5) Long-term benefits (to the future generations), the long-term secular fulfillment or the preservation of future generations, such as the cleaned environment.

When the community know something new, they will have a consideration whether to adopt (accept) or not, in this case, the existence of Islamic microfinance institutions. Rogers (2003) states that the characteristic of innovation (new ideas) have attributes, such as: relative advantage, compatibility, complexity, triability, and observability. Therefore, the person will receive something new with respect to these five entities.

Relative advantages deals with the intention to provide the benefits or the customers so that they feel the relative superiority of the new products. Compatibility, means the level where new products are accordance and consistent with the existed values and customer's past experiences. Complexity means the level where new products are perceived difficult to understand and to use. Triability means new products is more likely to succeed if the customer can try or doing experiment with the new product. And observability means ease of communications reflects that result from the use of these new products can be seen both by themselves and the others.

Hypothesis: H1. If the farmers know the sharia microfinance institutions then their perception of LKMS will be well too. H2. If the farmers have a good preference then they will use the service of Islamic Microfinance

Figure 1
Theoretical Framework



Institutions. H3. If the perceptions of farmers on Islamic Microfinance Institutions are good, then the preferences are good too. H4. If the farmers' perceptions and preferences about Islamic Microfinance Institutions are good, then the farmer would consider adopting it. H5. Are there the differences in perceptions, preferences, and consideration of adoption of farmers on Islamic microfinance institutions in Ciamis Regency and Bantul Regencies?

RESEARCH METHOD

The data were collected by means of a questionnaire while doing interviews, so the farmers understand the list of questions. It was done at Ciamis District of West Java and Bantul regency of Yogyakarta Special Region from August to December 2009. Based on the reliability of test results, it obtained Cronbach alpha value of 0.950.

The study by Bank Indonesia in cooperation with research institutes of UNDIP and IPB, shows the potential areas for Islamic financial institutions are Bantul and Ciamis regencies. The populations of the

study are 583 farmers group in the Ciamis district in which each group consists of 30 to 50 people, so that all totaled 29,050 people (*kabciamis.go.id*). In the Bantul district, there are 809,971 people (*kabbantul.go.id*). The number of sample is assigned to represent the whole population of farmers that is 100 people. First, it determines the number of sample they want, second is to choose the existing population that will be chosen as the sample. Sampling methods for determining 100 farmers is conducted by means of a *non probability sampling* methods with a *purposive sampling* technique. Hypothesis testing uses the analysis of Pearson Product Moment correlation and proving the hypothesis of the two relationship variables when both the variables are the same. Finally, the difference test is performed, which is too see if there a difference between one group and another.

DATA ANALYSIS AND DISCUSSION

In Chiamis, half of the respondents did not know the existence of BMT (53%). So

far, they borrow capital from BMT only (67%), and from the cooperative relatives, or their boss. They get information about the Islamic microfinance from their farmers' group discussion (84%), than the media, especially television (25%). Most of them are Muslims (100%) and male (84%) with the productive age, between 31 and 40 years old (24%), 41 to 50 years old (31%), and 50 to 60 years old (19%). Generally, they have elementary school education (58%), and junior high school (28%), most are already married (96%). While waiting for the harvest time, most of them do other side jobs, such as being a labor (30%), entrepreneurship (14%), and others like drivers, merchants and village officials/civil servants. Generally, they watch TV everyday (48%).

In Ciamis, most of farmers' level of perception about the Islamic microfinance is high (91%). Therefore; most of them in have high level of preference (97%) about BMT. Farmers in the Ciamis District can adopt Islamic microfinance with a high level of acceptance (92%). So the relationship between the farmers' perceptions level and preferences is high too. And, the relationship between the level of perceptions, preferences, and adoption is high level too (85%). This means that the farmers in the Ciamis District who have a high level of perception will have a high level of preferences too. Thus, they will accept the existence of microfinance institutions and adopt sharia as well.

The characteristics of the respondents in Bantul are as follows: they knew the existence of sharia microfinance (93%). They borrowed capital/funds from BMT (94%). Most of them get information about the existence of the Islamic microfinance institutions from their friends (38%), the Islamic study groups (21%), relatives (17%), and the farmers' group discussion (17%). Besides, the second information source is the media, especially television (14%). All of them are Muslim (100%), male (67%) and female (33%). Most of them are in the productive age, between 31 and 40 years old (30%), 41

to 50 years old (30%), and 51 to 60 years old (18%). Generally, they have elementary school education (46%) and junior high school education (34%), and most of them are already married (94%). While waiting for the harvest time, most of them do other jobs such as being a labor (30%), entrepreneurship (24%) and other jobs such as drivers, merchants, and village officials or civil servants, even the retirees. Generally, they also watch TV everyday (73%) and listen to the radio (20%).

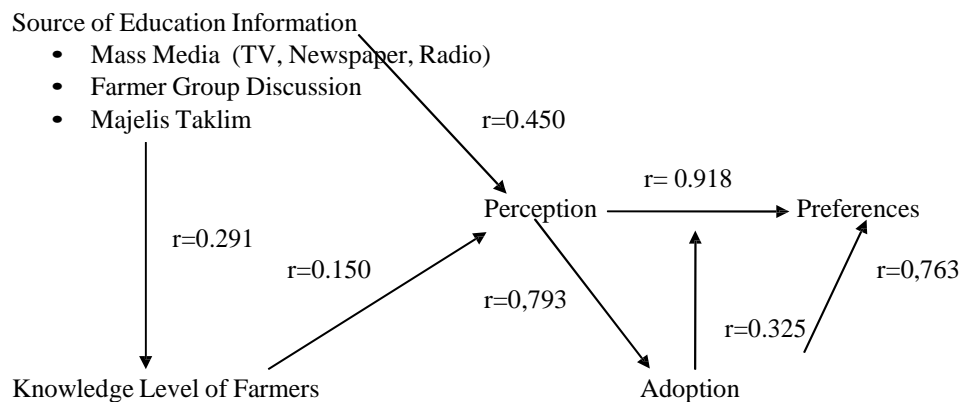
Most of farmers in Bantul have high level of perception (93%) about the Islamic microfinance institutions. Most of them have a high level of preference (96%) in Islamic microfinance institutions. Therefore, farmers in Bantul with high perception will have a high level of preferences as well (92%). So, the relationship perceptions and preferences level in Bantul is high. And, the relationship between the level of perceptions, preferences, and adoption in Bantul is high (86%). This means that farmers in Bantul District who have a high level of perception will have a high level of preference too. Thus, they will accept the existence of microfinance institutions and adopt sharia as well.

T test shows the difference between the perception of respondents in Ciamis and Bantul e.g., $t = -0.533$ with the degrees of freedom (df) = 99. SPSS output value P-value for 2-side test is 0.596, and this is greater than the value of $\alpha = 0.05$, so the hypothesis H_0 is accepted. Thus, it can be concluded that there is no difference in the perception of farmers on the Islamic microfinance institutions both in the Ciamis and Bantul District. Pearson's correlation between them is as follows: r for = 0.051 and the hypothesis testing to determine whether the correlation is significant with the p-value = 0.617. In this case, p-value = 0.617 is greater than $\alpha = 0.05$, so the Pearson correlation is considered not significant.

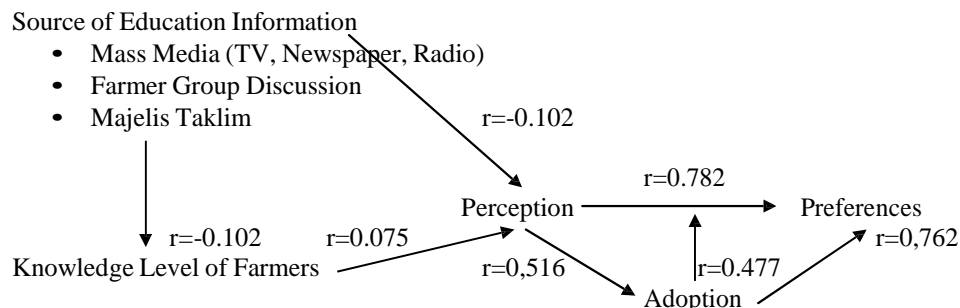
T test results showed the difference between the preferences of respondents in Ciamis and Bantul worth: $t = 0.455$ with the degrees of freedom (df) = 99. SPSS output

value P-value for 2-side test is 0.657, and between them is with r for = -0.098 and the

Figure 2
Flow of the result in Ciamis Regency



Flow of the Result in Bantul Regency



this is greater than the value of $\alpha = 0.05$, so the hypothesis H_0 is accepted. The conclusion: There is no difference in the perception of farmers on the Islamic microfinance institutions both in the Ciamis and Bantul District. SPSS also calculate the Pearson's correlation between them, r for = 0.263 and the hypothesis testing to determine if the correlation is significant with the p -value = 0.008. In this case, p -value = 0.008 is less than $\alpha = 0.05$, so the Pearson correlation is significant.

T test shows the difference between the respondents' level of adoption in Ciamis and Bantul e.g., $t = -0.470$ with the degrees of freedom (df) = 99. SPSS output value P -value for 2-side test is 0.640, greater than the value of $\alpha = 0.05$, so H_0 is accepted. It can be concluded there is no difference in the perception of farmers on the Islamic microfinance institutions both in the Ciamis and Bantul District. The Pearson's correlation

hypothesis testing whether the correlation is significant is with the p -value = 0.331, greater than $\alpha = 0.05$, so the Pearson correlation is proved to be not significant.

CONCLUSION

It is generalized that correlation relationship between the sources of educational information, the level of knowledge with this perception is only on the average level, even a weak level in Bantul. The sources of educational information and knowledge level of the perception level have a less significant effect. It can account for the fact that the sources of the information are not only from one source, but from a lot of sources. For example, from the mass media (other than television, respondents also read newspapers, or listen to the radio) also by following the farmers' group meeting, or the Islamic study group in their local area. The difference-test shows there is no difference

in farmers' perception, preferences, and adoption level about Islamic microfinance institutions both in Ciamis and Bantul. So, it can be recommended that BMT improve the farmers' education concerning the products of Islamic financial institutions, especially *salam*-products, through the group discussions, as well other media e.g., brochures. PINBUK in each district provides training for BMT's human resource to improve their skills in the delivery of products and how to give education to farmers.

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